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TRENDS in U. S. IMPORTS of Manufacturing BEEF

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CONTENTS

Page

CAUSES..... 1

SOURCES OF IMPORTS..... 2

Australia..... 2

New Zealand..... 4

Argentina..... 4

Brazil..... 4

Mexico..... 4

Ireland..... 5

Canada..... 5

Other Countries..... 5

IMPACT OF IMPORTS..... 7

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TRENDS IN U. S. IMPORTS OF MANUFACTURING MEAT

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U.S. imports of low-grade boneless meat for manufacturing purposes have risen sharply since 1956--from 31.5 million pounds to over 444 million in 1958 and perhaps to more than 600 million by the end of 1959. Under the impact of these imports, the United States has become an important factor in the world meat trade, attracting appreciable quantities of beef and mutton that ordinarily go to other markets.

Both Australia and New Zealand, for example, drawn by unusually high U.S. prices for manufacturing-type meats, have made this market one of their prime outlets for beef and mutton. And throughout Central America and the Caribbean area, meat production is being expanded on a large scale--or plans are under way. In South America, heavy exports of beef to the United States seemed to offer several countries--Argentina, Brazil, Uruguay, Paraguay--a vital new source of dollar earnings until these exports were cut off by U.S. regulations against meat imports from foot-and-mouth disease infected countries. Even Western Europe has become a net exporter of beef to the United States as Irish shipments have risen.

Causes

What has caused these expanded imports--and the higher prices? The chief reason is that cattle production runs in cycles. Similarly, beef prices and imports run in cycles, though in reverse order. The type of beef most affected by these cycles is low-grade cow beef--one of the principal components of the manufacturing-meat supply. When domestic cattle production is high, prices drop and farmers' incentives to produce are weakened. This results in short supplies and rising prices in the period following. As farmers attempt to increase production to take advantage of high cattle prices, they hold back cows (which would normally be culled) to produce more calves, and they feed their slaughter cattle to greater weight and finish. Both these factors tend to cause a proportionately greater increase in the price of low-grade cattle and the boneless meat that is produced from them. Also, the high price for boneless beef tends to cause a corresponding rise in the price of boneless mutton. To help supply domestic meat demand, buyers turn temporarily to the import market.

In the current cycle, production of boneless beef and mutton has been especially short, with a consequent unusually sharp rise in their prices. (This is a consequence of the rapid turn-around in the production cycle from a downswing during 1955-57 to an upswing during 1958-59.) The demand for cows by breeders has been unusually sharp while the packers' continuing need for slaughter animals to keep their plants running full time has caused spiraling cattle prices.

Sources of Imports

During the first 8 months of 1959, about 94 percent of the meat imports came from seven countries. Of these seven countries, Australia and New Zealand supplied by far the greatest percentage. Next in order came Argentina, Mexico, Ireland, Brazil, and Canada. Other countries, especially those of Central America, have also increased their shipments sharply.

Although Australia is now the predominant source of manufacturing-meat imports, it was late in getting into the field. Not until the Anglo-Australian long-term meat agreement, which had required Australia to ship almost all its exports to the United Kingdom, was modified in October 1958, could Australia make more than token shipments to this country. After that, however, Australia was free to ship low-grade beef and mutton to any destination without restrictions. The better grades of beef must still go to the United Kingdom.

The result has been massive shipments of beef to the United States. Australia was just recovering from a severe drought and was in a position to expand its curtailed meat exports. During the 8 months ended August 1959, Australian exports of beef and veal rose 347.5 million pounds or 72 percent over the comparable 1958 period. Its beef shipments to the United States climbed from 12.5 million to 161.7 million pounds--or by almost 1200 percent--to first place among its overseas markets. During the same period, Australian exports of mutton increased by 21 percent to 47.4 million pounds. Most of this increase was in exports to the United States, which took 27.2 million pounds, an increase of 104 percent over a year earlier.

TABLE 1.--Manufacturing meat: U.S. imports, by country of origin, annual 1955-58, January-August 1958 and 1959
(Product weight)

Classification	1955	1956	1957	1958	January-August 1958	January-August 1959
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Boneless beef and veal.....	19,775	25,444	88,635	285,854	186,609	290,593
Mutton and goat..	826	562	1,747	17,174	11,166	35,694
Other meat 1/....	5,303	5,532	15,180	141,402	79,941	91,683
Total.....	25,904	31,538	105,562	444,430	277,716	417,970

1/ Other prepared and preserved meat: mostly salted boneless frozen beef from Argentina, Uruguay and Brazil.

U.S. Department of Commerce.

The rapid increase in cattle slaughter necessitated by this sharp rise in exports has caused concern among Australian livestock men. They feel that the Australian breeding herd is being cut into and that Australia's ability to continue beef exports will be impaired. This concern is given foundation by the continued decline in Australian cattle numbers--down 3 percent from 1957 to 1958 and 4 percent from 1958 to 1959. In addition, relative shortages of beef have been felt in Australia with consequent price increases; the price of steer at Brisbane increased 34 percent from July 1958 to July 1959.

Present indications are that, although Australian beef exports to the United States will continue at a high level through the end of 1959 and into 1960, the remarkable increases of the past 12 months will not be repeated. There are some indications that Australia will be forced to reduce its production and exports of boneless beef during 1960 unless it wishes to cut severely into its carcass meat trade with the United Kingdom or seriously reduce its ability to continue beef production in future years.

The situation for Australian mutton production is different. Sheep numbers are at an alltime high, and exports are expected to continue as high or higher in the foreseeable future than in past months. In addition, the important U.K. market for mutton and lamb has shown considerable weakness in the past year and is expected to continue low into 1960. This points to continued Australian emphasis on mutton and lamb shipments to third countries, especially the United States, and to a lesser degree, Canada. Unless there is a sharp downward break in U.S. slaughter sheep and mutton prices, U.S. producers and processors can look for steady or increasing competition from Australia.

TABLE 2.--Manufacturing meat: U.S. imports, by country of origin, annual 1955-58, January-August 1958 and 1959
(Product weight)

Country	1955	1956	1957	1958	January-August 1958	January-August 1959
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Australia.....	2,902	3,200	5,771	31,122	21,186	150,766
New Zealand.....	2,898	4,316	47,282	155,944	105,869	100,894
Argentina.....	2,053	4,485	14,012	126,850	71,598	62,935
Mexico.....	10,041	5,391	12,960	69,055	45,196	27,788
Ireland.....	1,463	3,735	6,353	23,670	12,775	27,651
Brazil.....	---	---	287	2,784	174	15,104
Canada.....	5,159	9,233	15,883	21,953	9,872	7,268
Other countries....	1,388	1,158	3,014	13,052	11,046	25,564
Total.....	25,904	31,538	105,562	444,430	277,716	417,970

U.S. Department of Commerce.

New Zealand was the first important exporting country to take advantage of high U.S. manufacturing-meat prices and was the largest source of U.S. imports of these meats during 1957 and 1958. Shipments to the United States decreased somewhat during 1959. Of the 21.3 million pounds of boneless beef exported by New Zealand during the first quarter of 1959, about 19.9 million, or 93 percent, went to the United States. This is approximately the same percentage as during the calendar year 1958 when 91 percent of New Zealand's boneless beef exports went to this country. During the same first quarter of 1959, New Zealand exported 1.7 pounds of boned mutton, of which 1.4 million (82 percent) was shipped here. This compares with 23 percent during the calendar year 1958.

Beef production for export in New Zealand during the 10 months ended July 1959 dropped about 15 percent below that of a year earlier. Most of the decline in exports came out of shipments to countries other than the United States and the United Kingdom, which dropped only slightly. Production of lamb and mutton for export, however, is up. Sheep numbers are now at record levels and a continuation of this upward trend in sheep and lamb slaughter is expected.

American producers can expect continued heavy imports of New Zealand beef into this country during the remainder of 1959 and well into 1960, although at slightly lower levels than during 1958 and early 1959. Imports of mutton may be up somewhat, as increased New Zealand production and a weak U.K. market force New Zealand exporters to seek new markets.

Argentine shipments of manufacturing-type meat to the United States--mostly lightly salted frozen boneless beef--rose sharply during late 1957 and during 1958. Exports continued high during the first half of 1959 until USDA's Agricultural Research Service found evidence that foot-and-mouth virus might be carried in this product. Imports of this lightly salted beef were immediately embargoed and Argentine meat shipments to this country dropped precipitously. Imports are expected to remain quite low for the foreseeable future unless Argentina develops a method to process this beef that will assure U.S. authorities that the danger of introducing foot-and-mouth organisms into this country has been eliminated. In any case, Argentina is now in the low point of its cattle cycle, and both cattle slaughter and beef exports are severely curtailed It is estimated that it will be several years at least before Argentina is in a position to regain its previous high beef export levels.

The situation in Brazil is similar to that in Argentina. U.S. imports of Brazilian lightly salted frozen beef soared in 1958 to 870 percent above 1957. This sharp rise continued through the first half of 1959. However, the U.S. ban on this meat has cut imports of all meats to a trickle. In addition, Brazil is suffering from an apparent shortage of beef in its major consuming centers. To conserve beef for domestic consumption and to hold soaring beef prices, Brazil recently imposed sharp restrictions on meat exports.

When U.S. prices rose during 1957 and 1958, imports of boneless beef from Mexico also climbed. During 1958, U.S. imports of manufacturing-type meat--mostly boneless beef--reached 69 million pounds, 433 percent above those of

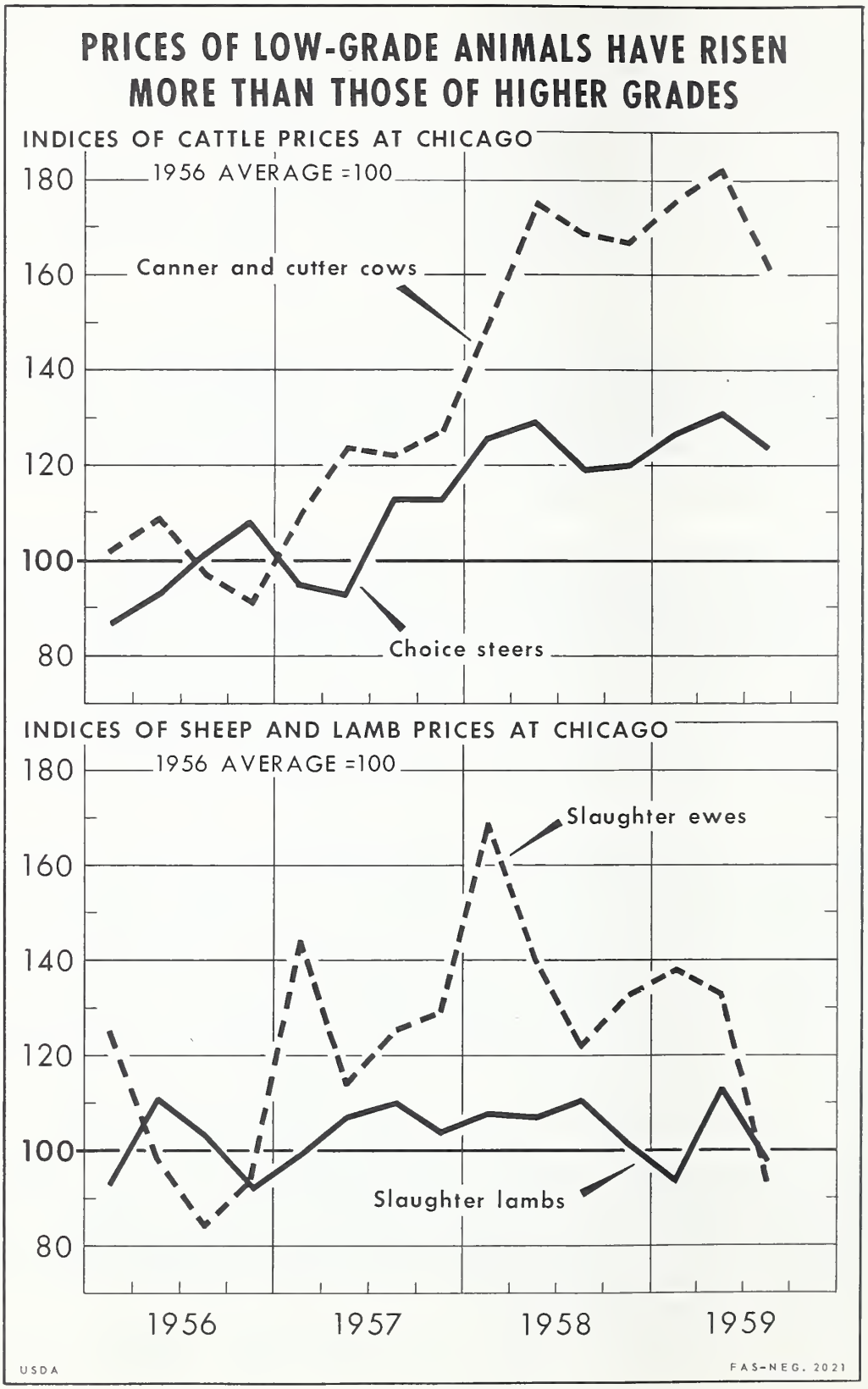
the previous year. Higher beef prices in Mexico, caused partly by these larger exports and partly by greater demand for meat arising from rapidly increasing living standards in Mexico, resulted in action by the Mexican Government to protect its domestic supply and keep the price of meat to consumers relatively low. During 1959, various measures were tried, including an embargo of short duration on cattle exports, higher export taxes, and export quotas for the northern cattle and beef exporting areas of Mexico. The result is seen in the 39-percent decrease in U.S. imports of manufacturing meat from Mexico from the first 8 months of 1958 to the same period in 1959. Export quotas announced for 1960 indicate that Mexican exports of cattle and beef to the United States will be about equal to those in 1959 and below those of 1958.

Irish exports of manufacturing meat--predominantly boneless beef--rose sharply in 1958 to 23.7 million pounds, 271 percent above 1957. Ireland is a large producer and exporter of cattle and beef, traditionally to the United Kingdom. High U.S. prices for beef and reduced demand for Irish feeder cattle in the United Kingdom have caused Irish exporters to shift to the United States as their main outlet for beef. Thus far, Ireland has not exported mutton to this country in appreciable quantities.

Irish cattle numbers are at a high level and beef production is increasing rapidly. Although the United Kingdom provides a close and continuing market for Irish beef, high prices in the United States have been sufficiently attractive to send the bulk of Ireland's shipments across the Atlantic to the U.S. East Coast. These exports may be expected to continue to rise and may bring Ireland's shipments of boneless beef to the United States during 1959 to a total of 50 million pounds. This high level of trade may be expected to continue through 1960. The depressed U.K. mutton market may also cause some Irish exporters to look for new outlets for their product in this country during 1960.

Canadian cattle numbers had reached an alltime high in June 1957 when U.S. prices began to rise. Canada took advantage of its position to expand its shipments of cattle and beef to the United States. So many cattle and so much beef moved into the United States that Canadian cattle numbers and beef consumption dropped during 1957 and 1958. Resulting high prices for beef and the demand for cows to restock depleted herds caused a significant increase in Canadian cattle and beef prices in 1959. This, coupled with lower U.S. prices in recent months, has reduced the profitability of shipments to this market. U.S. imports of manufacturing meat from Canada dropped 26 percent during the first 8 months of 1959 in comparison to the same period in 1958. This trend is expected to continue through the remainder of 1959 and during 1960.

Imports from Costa Rica, Nicaragua, Dominican Republic, Panama and Honduras increased during 1958 and the first 8 months of 1959. Continued high levels of manufacturing-meat imports from these areas can be expected. Both Central America and the Dominican Republic are free of foot-and-mouth disease, thus escaping the effects of the recent U.S. ban on imports which has so severely cut imports from South America.


PRICES OF LOW-GRADE ANIMALS HAVE RISEN MORE THAN THOSE OF HIGHER GRADES
INDICES OF CATTLE PRICES AT CHICAGO
1956 AVERAGE =100
180
160
140
120
100
80
Canner and cutter cows
Choice steers
INDICES OF SHEEP AND LAMB PRICES AT CHICAGO
1956 AVERAGE =100
180
160
140
120
100
80
Slaughter ewes
Slaughter lambs
1956
1957
1958
1959
USDA
FAS-NEG. 2021

Impact of Imports

The effect of these imports on the U.S. economy has been subject to widely varying judgments. Producers and processors have viewed imports as a threat to their industry and have urged restrictions. On the other hand, some spokesmen for consumer groups, viewing large increases in retail beef prices, have called for continued imports to help hold down rises and curb further inflation.

In general, U.S. producers and processors can expect continued heavy imports of boneless beef. Increasing shipments from Australia will probably account for about one-third of these imports. Irish exports to this country are also expected to be up. Imports from other areas will probably decrease somewhat or remain substantially level. Mutton imports will probably be up substantially in the remainder of 1959 and in 1960, although the rate of increase will be less than during 1958 and early 1959.

Although imports have undoubtedly had an effect on beef and cattle prices, yet the positive effect of decreased U.S. production and increased demand--both by farmers for breeding cattle and by packers for slaughter animals--has kept U.S. prices high. In September 1959, the average price received by farmers for beef cattle stood at $22.50 per 100 pounds--1 percent above the same month in 1958 and 20 percent above the September average for the last 5 years.

Due to the predominance of low-grade meats in U.S. imports, the price of low-grade bonner-type animals might be expected to be more severely affected than other classes. Yet the prices of these animals rose sharply during 1957 and 1958 in the face of massive imports. Evidently the demand by farmers for breeding cows was strong enough to more than overcome the depressive effect of large imports. The price of slaughter sheep was also carried upward as the price of low-grade cattle rose.

Some economists consider the upturn in imports as beneficial to the cattle industry as well as the consumer. They believe that imports, by helping maintain the supply of beef during period of low output, tend to keep consumers eating beef instead of turning more to other less expensive meats, such as chicken and pork.

It has also been argued that imports have taken the edge off sharp price rises, thus slowing down a too-rapid build-up in output which would lead to an inevitable slump. This effect has not been evidenced thus far; present indications point to an unusually rapid rise in cattle population leading to oversupply and resulting weakening prices.

The future effect of large imports of manufacturing meat on the cattle industry is uncertain. Although prices for higher grades of cattle continued to edge upward during the first 9 months of 1959, canner and cutter cow prices broke sharply in September and October. This was probably due to reduced demand for cows by breeders as their herds recovered from the 1957 and 1958 lows, to increased domestic supplies of low-grade meat on the market as producers

culled their herds and flocks in preparation for winter, and to continued increases in low-grade meat imports. In addition, there was probably some drop in consumer demand for manufactured meat products--usually felt in the fall.

Sheep producers have blamed recent low prices on heavy imports of mutton and lamb. Once more, it is undoubted that imports have depressed prices. How much is difficult to say. Although imports were heavy during 1958, prices received for ewes at Chicago remained above 1957 levels throughout the year. However, when sharply increased lamb and sheep slaughter during the first part of 1959--from 3.0 million head inspected slaughter during the period January-March 1958 to 3.5 million head during the same period in 1959--pushed lamb prices down sharply, ewe prices quickly followed suit. How much of this drop was due to reduced demand for breeding ewes as farmers reduced their flocks, and how much was due to increased imports of mutton is again indeterminable. Boneless mutton is used to make bologna and other prepared meats and therefore competes more with beef than with fresh lamb.

Meat boners, too, are concerned over foreign competition, and not without reason. Imports of low-grade meat compete directly with their product. But the meat boners' main problem seems to have been a severe shortage of boner animals for processing. Slaughter of canner and cutter cattle dropped 49 percent from 1956 to 1958. This trend has continued through the first 8 months of 1959. Despite foreign competition, processors are maintaining their operating margins, but the lack of slaughter animals has forced them to sharply curtail their operations and to lay off employees. Present indications point toward a progressive increase in offerings of canner and cutter animals for slaughter during the next several years and a decline in prices of these grades.

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